

CONTACT FOR MEDIA: Eva Smith-Carroll, Department of Insurance, 502-564-2664 or 800-595-6053, Ext. 253

FOR IMMEDIATE RELEASE: Friday, May 3, 2002

"Slow pay" costs insurers \$619,600 in interest penalties, \$27,000 in fines

FRANKFORT, Ky. — Seven insurance companies have been fined a total of \$27,000 by the Kentucky Department of Insurance for not paying health benefit claims to physicians and other health-care providers within the time frame mandated by the state "prompt pay" law.

In addition to DOI fines, the law also has generated \$619,600 in interest penalties paid to Kentucky-licensed health-care providers by insurers since the law's effective date, July 14, 2000.

The legislation, passed unanimously during the 2000 General Assembly, was sponsored by Senators Katie Kratz Stine (R - Ft. Thomas); Ed Worley (D - Richmond); Richard L. "Dick" Roeding, R.Ph. (R - Lakeside Park); John D. "Jack" Westwood (R - Erlanger); and Robert L. "Bob" Jackson (D - Murray).

Under the DOI enforcement action announced today, five companies had reported noncompliance with the law: Aetna Life Insurance Co.; Humana Insurance Co. (Employer's Health); Metropolitan Life Insurance Co.; Trustmark Insurance Co., and World Insurance Co.. Two companies did not submit accurate data to the department and also were fined: Aetna US Health Care and Prudential Health Care Plan Inc.

This is the first round of fines levied by DOI for failure to meet performance standards under the prompt pay law. The law requires that "clean claims," properly completed claims from providers, be paid within 30 days of receipt of the claim, with one exception. The insurer has 60 days to pay for claims associated with organ transplants.

-- more --

Page 2/Prompt pay

To be in compliance, an insurer must demonstrate in every quarter that at least 95 percent of clean claims and 90 percent of the total dollar amount paid for clean claims is paid within the 30-day time period. (Pharmaceutical claims must be paid within 30 days but are not factored in the standard.) Insurers failing to meet these standards and reporting requirements are subject to a fine at the discretion of the insurance commissioner.

The fines announced today are based on quarterly reports filed by insurers with the Department of Insurance. Other fines may be levied in connection with consumer complaints or reviews conducted by the department.

Insurance Commissioner Janie A. Miller said, "This enforcement action proves that most insurers -- big and small -- are able to meet prompt pay requirements. However, we expect all companies to fully comply with the law. A company that fails to do so can expect consequences."

Prior to passage of SB 279, the Insurance Department enforced general prompt pay standards under existing law. But the new law significantly strengthened the standard for health insurance claims by setting a time frame, defining "clean claim" and establishing interest penalties for late payment. Claims paid between 31–60 days bear interest at rate of 12 percent per annum; claims paid between 61–90 days, 18 percent; and in excess of 91 days, 21 percent.

(A section-by-section explanation of the prompt pay law is online under Health Insurance Policy and Managed Care Division documents at

<http://insurance.ky.gov/Kentucky/Documents/sb279.asp>.

The health care provider clean claims complaint form is online at

<http://insurance.ky.gov/kentucky/documents/279form.pdf>.